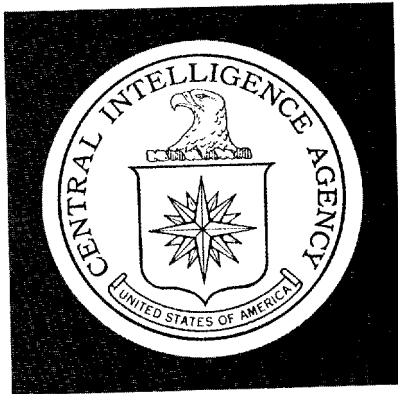


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*The First Three Years of the "Argentine Revolution"*

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### THE FIRST THREE YEARS OF THE "ARGENTINE REVOLUTION"

The Argentine military coup of June 1966 launched what has become Latin America's most successful current experiment in authoritarian, modernizing government. The Ongania administration, although probably not "popular," does retain public acceptance and respect. It has brought a halt to the political chaos that had become the rule in Argentina during the decade following Juan Peron's fall. Its economic accomplishments in cutting down inflation and promoting national growth have been little short of dramatic.

The government now is moving to tackle some of the country's difficult social problems. Its success or failure will have a long-range impact well beyond Argentine borders. Already, the "Argentine example" is being cited elsewhere in Latin America as an idealized model of what can be accomplished when a united military establishment seizes national leadership, rises above the partisanship and conflicting group interests of the past, and launches a national "revolution."

### BACKGROUND

Upon assuming the presidency following a military coup in June 1966, retired Lt. General Juan Carlos Ongania committed his administration to a transformation of the country known as the "Argentine Revolution." The "Revolution" was to be accomplished in three stages—the first would concentrate on stabilizing the economy and attaining steady growth; the second would attack the country's pressing social problems; and the final stage would deal with the construction of a political system that would ensure genuine representation for all Argentines.

On 28 March 1969, as his administration neared the end of its third year, Ongania delivered a three-hour speech to government officials describing the accomplishments and future goals of the "Argentine Revolution." The President declared that the three key elements of the



President Juan Carlos Ongania

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"Revolution" are: solidarity, as a basic spiritual search for the dignity of man; integration, as the synthesis of all policies; and participation, as the strategy that will ensure that decisions reflect the interests of all concerned, not just a minority. Ongania said that much remained to be done in the economic area, but the time had come to deal with urgent social problems. He listed 120 projects to be undertaken during this stage.

Ongania has said that the use of the term "ten years" to define his term of office is in fact symbolic of the fact that the "Argentine Revolution" is a long-term process, not one of one, two, three, or even five years. Thus, the political phase appears to be still in the distant future. Ongania has promised that when it finally does come, Argentina will achieve what he described as a "real democracy."

#### THE ECONOMIC PHASE

The first, or economic, stage of President Ongania's program for restructuring Argentina has met with considerable success. The initial phase of the economic program, begun in early 1967 under the leadership of Minister of Economy Krieger Vasena, emphasized the attainment of financial stability. Stabilization measures included a "voluntary" price control program, a freeze on wages until the end of 1968, and a reduction of the government budget deficit by holding current spending fairly stable while increasing revenues. As a result, the annual increase in the cost of living was cut from 30 percent in 1966 to less than 10 percent in 1968. The government plans to hold the increase in 1969 to 5 percent or less.

The possibility of a recession inherent in these strong stabilization measures was avoided in 1967 by a variety of growth inducements such as tax and credit preferences for investment and new credit arrangements for consumer durables. These measures, combined with a relatively good crop

year and a healthy export trade, allowed a gross domestic product growth rate of 1.9 percent in 1967 compared with one of only 0.5 percent the previous year. In 1968, export earnings were reduced by weather conditions and protective measures adopted by countries that constitute Argentina's most important markets. Because of an inflow of foreign investment and extensive public works programs, however, the growth rate reached 4.8 percent. These public works programs were financed in large part by sales of government bonds in foreign and domestic markets—the first such sales in over 20 years. The growth rate in 1969 probably will exceed 6 percent.

Since the devaluation in March 1967, the peso has remained stable at 350 to the dollar. A healthy though declining trade surplus combined with large capital inflows (including returning flight capital) has raised gross foreign exchange reserves to more than \$800 million—the highest level in two decades.



Economy Minister Adalbert Krieger Vasena

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President Ongania has promised that the full energy of his government will be focused this year on improving the efficiency of the state enterprises and cutting the substantial number of excess employees. Stimulation and diversification of exports also requires attention. Much remains to be done, but the economic phase has already achieved a success that few would have predicted in 1966.

#### FOCUS ON SOCIAL PROBLEMS

Although the economic phase is still of paramount importance, some beginnings have been made on the second or social phase of the "Revolution." The government has initiated a policy designed to raise real wages without jeopardizing the goals of the stabilization program. Although the rate of inflation dropped sharply in 1968, real wages also fell by an estimated 2.5 percent in that year. In early 1969 the government authorized a general wage adjustment effective for the entire year. For the private sector this amounted to an 8 percent increase plus higher allowances for dependents, bringing the total increase for the average worker with two children to about 12 percent. Personnel of the several state enterprises also were covered under this program. For both groups, these wage increases are to be financed through increases in productivity and are not to result in higher prices.

Government employees, including the underpaid teachers, military and police forces, received a raise averaging 20 to 25 percent. The governmental pay raise is the first stage of a five-year program designed to make government pay scales competitive with those of private industry. At the end of five years these pay scales are to be roughly equal in real terms to those that prevailed before 1943. All raises are to be financed by economies in other parts of the ministries' budgets.

One of the government's most important social programs will focus on alleviating the housing shortage, currently estimated at 2.3 million units. Authorities have already begun work on eradicating the slums that are found in many cities, and there are plans for the construction of low-cost permanent housing for the persons who are displaced by the renewal projects.

The administration appears to be entering the social phase of its program with an appropriate degree of caution. It nevertheless may encounter difficulties in assuring that the new wage scales and the costs of even the limited social programs now under consideration do not result in a resurgence of inflationary pressures. The year ahead will be an important testing ground of its ability to pick its way through the sometime conflicting goals on the road to economic progress and social improvement.

#### POLITICS—"LIBERALS" AND "NATIONALISTS"

The Ongania government has closely adhered to its ban on activity by political parties, which were dissolved shortly after the coup, and has moved swiftly to discourage any gatherings that could be considered to have a political character. Although members of some of the former parties have attempted to put together an opposition force, they have had little success. With the parties largely neutralized, politics is limited to a contest for dominance between supporters of two conflicting ideologies within the administration. Thus far Ongania has carefully maintained a balance between the two main factions.

One group encompasses the "liberals," who are in fact conservative in outlook. They are primarily the industrialists, landowners, bankers, publishers, and economic technicians like Krieger Vasena. Their general tenets are free enterprise,

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stabilization of the economy, paternalism but not permissiveness toward labor, and an eventual—though perhaps distant—return to some form of democracy.

The other sector comprises the “nationalists,” who tend to be less single-minded than the “liberals,” but who generally share a belief that democratic capitalism has been tried and has failed in Argentina. Some of them probably would like to see the creation of a type of corporate state, characterized by extensive government direction of the economy and by a political system involving representation through councils of workers, employers, and other sectors rather than through political parties. The “nationalists” are represented by key civilians such as Interior Minister Borda and Secretary of Government Diaz Colodrero, and retired military men including Generals Villegas (secretary-general of the National Security Council), Senorans (chief of the Secretariat of State Information), and Repetto (secretary-general of the Presidency).

At least some of the “nationalists” are convinced that the government cannot undertake the social—and eventually the political—stages of the “Revolution” without some base of support outside the military. They see a potential base in the organized labor movement, which has acted as a powerful opposition force to every government since the overthrow of Juan Peron in 1955.

#### GOVERNMENT RELATIONS WITH LABOR

The main responsibility for handling the administration's attempts to win labor support—or at least cooperation—has been given to Labor Secretary San Sebastian. He has effectively used techniques such as securing audiences with Ongania for selected labor leaders to increase steadily the number of union heads willing to collaborate to some degree with the government in the hope of gaining special benefits. Approx-

mately 47 leaders of the “collaborationist” bloc attended the most recent session with the President, held last January.

Administration officials have also had public and private contacts with some leaders of unions in the second—and largest—bloc, who are willing to carry on an unofficial “dialogue” with the government on economic issues, but almost certainly would not accept a government attempt to get control of organized labor. The influence of a third small group of unions whose chiefs resolutely oppose the government and its policies, and who accuse the leaders of the other blocs of “selling out” to the administration, appears to have declined sharply in recent months. Numerous other unions have not publicly adopted any position in relation to the government.

The lines between the various blocs are not rigidly drawn; there appears to have been measurable movement away from total opposition to the government toward a willingness to see what it has to offer. Within the individual unions there are also frequently very difficult currents of thought on how to deal with the government.

The administration has not hesitated to use a heavy hand to bring back into line the few unions that have attempted to challenge it openly by violating the virtual ban on strikes. A strike by Buenos Aires port workers in December 1966 ended with the government taking over administration of the union and the union's chief spending two years in prison for allegedly urging foreign dock workers to demonstrate solidarity with their Argentine colleagues by refusing to unload Argentine ships. The government terminated a strike at the state-owned oil refinery at La Plata in late 1968 by taking over control of the local union and firing about 1,700 workers who refused to return to their jobs. Operation of the refinery has continued satisfactorily without

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replacement of the dismissed workers. The trade union status of several other major unions has also been suspended because of their participation in illegal strikes.

The government appears determined to use persuasion, and force where needed, to bring together the various labor factions into a single General Labor Confederation (CGT), which has existed on paper since the Peron era, but has never been a united central labor organization. The government has taken some preliminary steps toward this goal by verifying the membership of the unions, checking their financial status, and determining which labor leaders would be most likely to cooperate with the government's economic and social policies.

The press frequently has speculated that this year the administration may call for simultaneous elections of new officers in all the nation's unions and manipulate the results where necessary to assure the election of candidates not strongly opposed to the government. This tactic would almost certainly meet firm opposition from many powerful and ambitious union chiefs, who have built up substantial support within their own organizations. A number of these men also are important figures in the Peronist political movement. Probably pre-eminent among them is Augusto Vandor, head of the wealthy metalworkers' union, who reportedly is Ongania's main target for removal.



Labor Leader Augusto Vandor

While the government has been

working to secure the cooperation of labor through individual union leaders, some administration officials—almost exclusively from the “nationalist” sector—have attempted to secure labor's support through numerous political contacts with emissaries of Peron. They hope to convince the exiled dictator to use his still powerful influence with the masses to get them to cooperate with the Ongania government. At the same time, Peron appears to be attempting once again to unite his supporters from all the labor factions into a single Peronist bloc—possibly headed by Vandor—which would give him a major advantage in his negotiations with the government. In view of the strong anti-Peronist sentiment that exists in the upper military levels even 14 years after his overthrow, it is difficult to conceive of any benefits the administration could offer the politically astute Peron in exchange for his backing or even neutrality, or what attitude his enemies in the military would take toward such an offer.

Many “liberals” are very skeptical about the government's plans to consolidate labor and about its contacts with Peronists. They doubt that the government could control the restructured CGT, and suspect that a united labor movement—even an ostensibly “friendly” one—could prove to be a greater challenge to the government than the present divided one. Insistence by “liberals” on the need for continued government austerity also conflicts with the “nationalists” view that the administration should use assets such as its welfare program funds and its authority to grant wage increases to obtain labor support. The recent resignations of some members of the economic team in the cabinet appear to be a symptom of these tensions within the administration.

#### MILITARY SUPPORT OF THE GOVERNMENT

Although Ongania has insisted that his administration is not a dictatorship, the armed

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Army Commander-in-Chief  
Alejandro Lanusse

forces unquestionably are its principal base of support. He recognizes that a serious loss of confidence on their part could result in his removal. Ongania has successfully weathered at least two difficult situations involving the replacement of top military officers, and his handling of these problems probably strengthened his standing with the armed forces. Although military approval for the President's policies is not universal—particularly for those involving the delicate Peronist issue—most officers acknowledge Ongania's authority and honesty.

The recent substantial military salary increase, which was accompanied by a rise in other benefits, will probably do much to alleviate the armed forces main complaint. There had been serious concern at high levels about the large number of capable officers who were leaving to enter private business because of their difficult economic situations.

The government has also gained military support by authorizing the purchase of new equip-

ment to replace some of its obsolete and inefficient arms. Much of the equipment has been obtained in Europe because comparable items are not obtainable from the United States, or because European suppliers offer more favorable terms. The army has acquired—among other items—60 Italian 105-mm. howitzers, 60 AMX-13 light tanks and 24 AMX 115-mm. self-propelled howitzers from France, and 60 Swiss armored cars. The navy's \$83 million modernization program includes the purchase of a Dutch aircraft carrier of World War II vintage, six minesweepers from the UK, and six jet fighters from Italy. Other contracts probably have been signed for two submarines from West Germany and for one or two destroyer escorts equipped with surface-to-air missiles from the UK. The air force is scheduled to receive this year the remaining 25 of the 50 US A-4B jet fighters purchased in 1966. Twelve reconditioned Canberra jet bombers are being obtained from the UK. Recent reports indicate that the air force signed a contract last November for 14 French Mirage III supersonic aircraft, and the purchase is awaiting Ongania's approval.

A substantial part of this material will be assembled in Argentina. Eventual domestic production of most types of equipment is planned. The Argentine military hopes during the next decade to become a major supplier of arms to other Latin American armed forces.

The majority of officers, especially those at upper levels, are still strongly anti-Peronist. Army commander in chief Lt. General Lanusse and several other top officers recall with bitterness that they spent the last four years of Peron's rule in prison for their part in an attempt to overthrow him. They reportedly doubt the wisdom of the administration's public and secret contacts with Peronists, but have refrained from publicizing their views. They apparently did not oppose the government's recent decision to permit ten Peronist officers who had been expelled from

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the services to wear the uniform again and to collect pensions. However, as the government pursues its plan to integrate the Peronists into the future political framework, the hostility of these officers may well rise sharply.

#### INEFFECTIVENESS OF THE LEFT

The leftist extremist groups in Argentina are weak and disorganized, and do not appear to be capable of presenting any serious threat to the government. The Argentine Communist Party's membership has fallen from a high of 90,000 to less than 50,000, of whom 10-12,000 are active cadre. The Communists traditionally have had an important influence in the Argentine University Federation, but since the Ongania government's major reduction of the political role of students and the removal of suspected leftists from faculties in 1966, there has been a decline in the party's activities in this area. In late 1967 a group of younger party members calling themselves the Communist Party - National Committee for Revolutionary Recovery broke from the party primarily because of the rigidity and lack of imagination of its old-line leadership.

The Communists have long tried to form alliances with the Peronists, but they have found sympathy only among the fringe extremists of the movement. At the 13th party congress, held in April 1969, the Communists' frustration at their lack of success in winning Peronist adherents resulted in the adoption of a resolution to "make a complete break with Peronism and to initiate an all-out campaign to nullify the influence of Peronism throughout the country." It is doubtful that the resolution will be implemented.

#### MILITARY AND SECURITY OFFICIALS

Government forces rapidly swept up small groups of would-be guerrillas in Tucuman Province in late 1968 and in Jujuy Province in February 1969. Military and security officials are concerned about a series of terrorist attacks and

attempts to steal arms that have occurred since 1 April. The incidents have taken place at widely scattered locations, including military posts. They may be the work of one or several local groups, possibly collaborating with members of Uruguayan extremist groups such as the Tupamaros. Security forces have rounded up militant Peronists and leftist extremists, and have detained a few antiadministration retired military officers, including perennial coup plotters Generals Candido Lopez and Rauch, but there is not any firm evidence that these persons were in fact responsible for the attacks.

#### INCREASING FERMENT IN THE CHURCH

The Catholic Church in Argentina has long been characterized by its conservatism and its ability—with some brief exceptions—to accommodate itself to the government in power. The hierarchy generally has not spoken out on social issues so long as these did not directly affect the Church. Clergymen such as Bishops Jeronimo Podesta and Alberto Devoto, who for many years have decried the conditions of the rural and urban masses, have been the exception.

During the last year, however, a growing sector within the Church has begun to advocate reform and innovation, although conservatives, such as Argentine primate Antonio Cardinal Caggiano, still hold great power. Most of the progressives appear to belong to a loose organization called the "Movement of Priests of the Third World."

The Conference of Argentine Bishops was obliged to recess last December when it could not reach a consensus on implementation of the social reform recommendations of the Latin American Bishops' Conference at Medellin, Colombia in September. The Argentine bishops met again in April to deal with the Medellin document, and the differences between the conservatives and

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liberals received wide press attention. The final document of the conference, which calls for the "liberation" of peoples from economic, social, and political oppression, and urges that priests be given a greater role in managing church affairs, suggests that the progressives' views may have prevailed.

The most spectacular incident of discontent among a significant minority of clergy occurred last March with the resignation of 30 priests in the archdiocese of Rosario over serious difference with their Archbishop. The priests charged that Archbishop Guillermo Bolatti was indifferent to the area's social problems and had refused to initiate a dialogue with them about these matters. The prelate had taken several actions diametrically opposed to the priests' liberal views, such as refusing to permit worker-priests in his diocese, placing persons who shared his conservative views in charge of groups such as Catholic Action Youth, taking disciplinary action against priests who introduced procedural innovations in their lower class parishes, and expelling two foreign-born priests for insubordination.



Rosario Archbishop  
Guillermo Bolatti

A series of incidents heightened the differences between the Archbishop and the priests, with clergymen and lay church groups in Rosario and other areas taking one side or the other. At least 300 Argentine priests reportedly have announced their support of the liberal group. On 25 March the Archbishop left for Buenos Aires and

went on to Rome to seek an audience with Pope Paul VI. The Rosario priests then sent the Pope a telegram defending their views and requesting a canon trial to absolve them of conservatives' charges that they were attempting to tear down the hierarchical structure of the Church.

The degree of freedom with which individual clergymen may speak out on issues not directly concerned with religious matters has become a major issue in the progressive-conservative ferment. In January 1969, Buenos Aires Archbishop Juan Carlos Aramburu instructed priests in his jurisdiction not to make public statements or take part in public gatherings of an economic, social, or political nature without prior authorization. He noted that while the clergy should encourage lay persons to participate actively in seeking progress in the economic, social, and political fields, they should not lead such movements nor suggest solutions. Cardinal Caggiano's recent Holy Thursday address contained a pointed warning that certain religious sectors were becoming overly concerned with man-oriented religion at the expense of God-oriented faith.

Some clergymen have gone beyond criticism of the Church in their efforts to attack social and economic conditions in certain parts of the country. Last December, priests in several cities took part in a Christmas Eve protest movement against the continued existence of "misery and inequality," and led hunger strikes instead of celebrating the traditional Christmas mass. Some denounced the social and economic policies of the government as bearing most heavily on those least able to afford it.

In April, priests took part in demonstrations in depressed areas of Tucuman and Santa Fe provinces, where the closing of sugar mills for financial reasons had left large numbers of workers without jobs. Police used tear gas to break up

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the demonstrations and arrested the priests in both places. The Archbishop of Santa Fe then issued a declaration that expressing solidarity with those concerned with the problems of the community is no crime. Some priests have also taken the workers' side in a prolonged strike at a major printing plant in Buenos Aires.

### PROSPECTS

The next few years of the "Argentine Revolution" will see a continuation of Ongania's program of economic planning closely combined with social engineering. Political activity will revolve largely around differences within the government on emphasis and priorities. Most decisions will continue to be made by the central government; although Ongania has stressed that the administration is determined to hand over many of its responsibilities to the provinces, this appears to be a distant prospect.

Both "liberals" and "nationalists" are carefully watching a project in Cordoba Province that may serve as a model for the type of community participation in government envisioned by Ongania. Governor Carlos Caballero has formed a council representing management, labor and other sectors to assist him in a strictly advisory capacity. Some groups in Cordoba refused to take part in the council because they believed it was only a facade of "community participation," and that it was a dangerous first step toward a corporate state; this view is probably shared by most "liberals."

The effort to secure the collaboration of organized labor in the social phase will perhaps be the greatest test to date of the government's strength and diplomacy. Ongania reportedly is convinced that labor must give up its political role, and that this may require the "sacrifice" of a generation of union leaders who attained their high posts by successfully combining labor efforts

and politics. The personal popularity of Peron among the masses will continue to be a factor that the government cannot afford to ignore, and it must also take into account the danger that frequent official contacts with him may stimulate the hostility of anti-Peronist military men such as Lt. Gen. Lanusse whose support the administration needs.

Perhaps Ongania's most ambitious economic and social project will be the development of the area south of the 42nd parallel known as Patagonia. For a week in early April, Ongania moved the seat of government to Patagonia in order to draw national attention to the region's needs and to spur its development. This vast area, comprising about one-fourth of the national territory, has only about two percent of the country's total population. Probably only a bare majority of the inhabitants are Argentines; the remainder have come from neighboring countries—principally Chile—because of the higher wages paid in Argentina.

The strategic implications of this fact have long concerned the Argentine military and civilian authorities. In 1969 a Joint Southern Command was created to plan and coordinate major air-sea-land maneuvers to be held in Patagonia in October. The press has suggested that this unique new structure may also coordinate civic action projects there. Ongania has assigned high priority to accelerated development of the coal and iron mines and the establishment of other industries; the construction of airports and highways; the expansion of telephone, radio, and television facilities; and the attraction of new residents. The key project for the region, and one of the largest ever to be undertaken in Argentina, is the construction of the giant El Chocon-Cerros Colorados hydroelectric project. A World Bank loan of \$82 million will finance part of the cost of the project.

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As a part of the over-all modernization program, the government is particularly interested in expanding its international contacts in science and technology. In 1968 it created the National Science and Technology Council, one of whose responsibilities will be to advise the government on and coordinate dealings with foreign countries in this area. In March Argentina signed a joint agreement for scientific cooperation with West Germany that might serve as a model for agreements with other nations. The West German Siemens firm is constructing Argentina's first nuclear power plant at Atucha, about 60 miles northwest of Buenos Aires. Its desire to be free to develop nuclear energy research for peaceful purposes has led Argentina to question the wisdom of the Nuclear Non-Proliferation Treaty, and by implication, the motives of its advocates.

In the absence of effective action by the former political parties, it is possible that progressive elements within the Church may take the lead in pressing the government for faster action in the social area. At times this concern may lead to conflicts with the civil authorities, particularly where the government for economic reasons dismisses employees or closes down inefficient state or private enterprises, as occurred in Tucuman and Santa Fe provinces. The issue of state-church relations is complicated by the strong Catholic

orientation of Ongania and many of his close collaborators.

If the "Argentine Revolution" continues to progress, the government will probably dedicate more of its attention to foreign affairs. Argentina has long aspired to a position of leadership in the "southern cone" of South America, and Ongania has stated that the internal turmoil currently plaguing its traditional rival, Brazil, gives his country an exceptional opportunity to increase its international standing.

The Ongania administration's relations with the United States have improved substantially since 1966. While recognizing Argentina's special relationship with the US, Foreign Minister Costa Mendez declared in March 1969 that his country is subject to no one's "sphere of influence" and is determined to preserve its freedom of political action and economic independence. The minister said that Argentina intended to strengthen its traditional ties with Europe in order to work for the promotion of a "multipolar international community." Costa Mendez stressed Argentina's willingness to trade with all nations, including those of the Communist bloc. Incidents such as Argentina's seizure of Soviet fishing boats operating within its territorial waters, however, have caused some deterioration in relations with the USSR.

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